



United States Senate
**Committee on Small Business
and Entrepreneurship**

Olympia J. Snowe, Chair

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For Immediate Release
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**Snowe Introduces Bill Increasing Access To SBA Small Business
Loans**

Continues to Champion Small Business Agenda That Creates Jobs and Growth

Washington, D.C. - Senator Olympia J. Snowe (R-Maine), Chair of the Senate Committee on Small Business and Entrepreneurship, today announced that she has introduced the "Small Business Lending Improvement Act of 2005," legislation that provides small businesses with easier access to loans and increases efficiency in the Small Business Administration's largest loan program, the "7(a) program." The 7(a) program provided \$12.7 billion in small business loans in 2004.

"This legislation will reform a cumbersome and duplicative lender licensing process to provide small businesses with a more efficient means of accessing the capital they must have to start and sustain their firms," said Senator Snowe. "As our economy continues to grow, we should not forget the critical role played by our small businesses and the jobs they create. Without strong and successful small businesses, our prosperity would not be what it is today." Financial institutions that have a demonstrated history of successful performance in the 7(a) program are designated as "preferred lenders" in the 7(a) Preferred Lender Program (PLP lenders). Currently, however, PLP lenders must apply for a license annually in each of the 71 SBA districts if they wish to make loans in that district. Senator Snowe's legislation allows qualifying lenders to participate in the PLP program on a nationwide basis with one approved license.

The bill directs the SBA to initiate a National PLP program in which lenders can receive authorization to operate in every state as a National PLP lender if the lender meets criteria established by the SBA. This provision was in S.1375, the "Small Business Administration 50th Anniversary Reauthorization Act of 2003", introduced by Sen. Snowe in 2003 and passed unanimously by the Senate that year.

"I am committed to supporting our nation's Main Street small businesses. The SBA has an essential role in that effort," noted Senator Snowe.

The bill, S. 1603, also:

Increases Maximum Loan Size. The maximum size of a 7(a) loan is increased from \$2 million to \$3 million and the maximum guarantee from \$1.5 million to \$2.25 million. This would maintain the maximum 75% guarantee. Small businesses' financing needs are increasing, especially in the manufacturing sector. With the high cost of real estate and new equipment, it is appropriate to recognize those needs by offering larger loans. The maximum 7(a) program loans will be closer in size to, but still smaller than, the maximum loan sizes in the SBA's 504 Program.

Increases Authorization Level for FY 2006. The Act increases the program's authorization level to \$18 billion for FY 2006, instead of the \$17 billion authorized for FY 2006 in the Omnibus Appropriations Act, enacted in December 2004. This will allow the program to grow, especially if the maximum loan size is increased.

Requires Alternative Size Standards. The SBA would create an alternative size standard for the 7(a) program that considers a business's net worth and income. This provision would bring the 7(a) program into conformity with the 504 Program. This provision was also in S.1375 in the 108th Congress, passed unanimously by the Senate in 2003.

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